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SENSITIVE
SIPDIS

EAP/CM - PPARK AND EB/IPE - DBUBMAN
EB/TPP - EMAGDANZ AND INL - JVGIL
EB/CIP - WWITTEMAN AND RDALEY
USTR FOR CHINA OFFICE - AWINTER; IPR OFFICE - RBAE;
AND OCG - SMCCOY, JRAGLAND, AND KALVAREZ
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LOC/COPYRIGHT OFFICE - STEPP
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DHS/ICE FOR IPR CENTER - DFAULCONER, TRANDAZZO
DHS/CBP FOR IPR RIGHTS BRANCH - GMACRAY, PPIZZECK
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SUBJECT: SOUTHWEST CHINA ENTREPRENEURS BUILD COUNTERFEIT STORE

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11. (U) This cable contains sensitive but unclassified information - not for distribution on the internet.

12. (SBU) Summary: Entrepreneurs in Sichuan's provincial capital Chengdu have, in at least one case, moved from selling copyright infringing products to copying a company's entire product line and brand identity. Congenoff confirmed with a company representative that a group of Chengdu stores purporting to be part of the Hong Kong snack food chain "Aji Ichiban" have no legitimate connection to the brand. The possible breadth and depth of counterfeiting may make it difficult for some consumers, shopkeepers, and possibly even store employees to determine the authenticity of a retailer. End Summary.

Walking and Quacking, but Still Not a Duck

13. (SBU) Some businessmen in Chengdu have apparently decided to mimic the look and feel of a legitimate brand's retail outlet and product line rather than start their own business. At first glance, even those familiar with the Hong Kong confectionary chain Aji Ichiban would likely judge that the Chengdu stores are authentic Aji Ichiban retailers. The signs on the outside of the store appear to be identical to some of those seen in Hong Kong. Inside, the stores have a similar layout, offer a similar variety of products, and even have similar-looking bags for bulk purchases. The promotional posters in one of the retail outlets

had an authentic look as well. One of the Chengdu Aji Ichiban retail stores is located along a very popular, upscale tourist street and surrounded by presumably legitimate retailers.

14. (SBU) Congenoff checked Aji Ichiban's official website, however, and found no listing for stores in Chengdu or Sichuan province. In mid-February, Congenoff called the contact number listed on Aji Ichiban's official website (www.ajiichiban.com.hk) and was told that the company has no stores in Chengdu. When in stores in Chengdu, it is only the small details that suggest that they may not be official franchise or company stores. One retail location stocked an assortment of Mickey Mouse snack containers that appeared to be counterfeit Walt Disney products. Some of the stencil cut signs on the inside of stores look slightly out of place, and of lower quality than exterior signs.

Fooling Employees and Customers?

15. (SBU) Employees at two Aji Ichiban stores in Chengdu told Congenoff that their respective stores were part of the Hong Kong chain of stores ("lian suo gong si"). Congenoff is uncertain from his conversations if the employees actually believe the Chengdu stores are part of the Hong Kong group, or if they are simply telling customers that they are part of the company. A website for the Chengdu-based company that presumably owns the Chengdu Aji Ichiban stores (www.yzlp.com) implies that the Chengdu and Hong Kong retailers are part of the

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same company.

16. (SBU) Some customers suspect that the stores may be fake, however. A message posted on the popular website Baidu.com asked last year if there was a relationship between the Chengdu-based Aji Ichiban and the Hong Kong company. Four respondents within a few days all said that there is no known relationship between the stores. The answer flagged as most authoritative also asserted there was no relationship, but that many businessmen "played games" with branding. A user posting on another website, Douban.com, also says that the Chengdu stores are not related to the Hong Kong stores. The post states that products in the Chengdu stores are merely copies of those in the real stores.

Fake Stores Potentially a More Pervasive Problem

17. (SBU) Chengdu store fronts sporting professional-looking signs with logos of famous brands like Nike, Reebok, Kappa, and Adidas do not necessarily signify that the store is a legitimate retailer. Sign-makers in Chengdu manufacture or sell signs for famous brands. Window, exterior, and display case signs are all available. Some less intricate logo signs appear to be stencil cut, and may even be finished at the retail location. Standing near an "Apple authorized retailer" sign at the computer market, Congenoff noticed small plastic shavings around portions of the sign that suggest it may have been cut onsite. From a short distance, however, the sign appeared no different from those seen in the U.S.

¶8. (SBU) Some Chengdu stores that use authentic-looking signs and logos may also be selling counterfeit products, but Congenoff could not determine the authenticity of the products. Near the Chengdu Sport Center, Congenoff saw a store that appeared to be an authentic Nike retailer. Signs, posters, displays, and products all appeared similar to Nike retailers in the U.S. The store immediately next door also claimed to sell Nike products. It had the Nike Swoosh logo on the front of the store, but it lacked the Nike promotional material. The design of the shoes suggested they were not legitimate, but Congenoff could not determine the product's authenticity.

¶9. (SBU) COMMENT: Post will continue to try to monitor the piracy situation on the streets of Chengdu and raise our concerns with local authorities. End Comment.
BOUGHNER